

Module 4—Dependents

Tax Tutorial

In this tax tutorial, you will learn about [dependents](#).

A dependent is a person other than the taxpayer or spouse who entitles the taxpayer to claim a dependency exemption.

Each dependency exemption decreases income subject to tax by the exemption amount. The exemption amount changes each year.

- For 2007, the exemption amount was \$3,400.

A taxpayer cannot claim a dependency exemption for a person who can be claimed as a dependent on another tax return.

The term "dependent" means a "qualifying child" or a "qualifying relative."

A. To claim a dependency exemption for a qualifying child, all of the qualifying child dependency tests must be met:

- Dependent Taxpayer Test
- Joint Return Test
- Citizenship Test
- Relationship Test
- Age Test
- Residency Test
- Support Test

B. To claim a dependency exemption for a qualifying relative, the person must meet the following tests:

- Dependent Taxpayer Test
- Joint Return Test
- Citizenship Test
- Not a Qualifying Child Test
- Member of Household or Relationship Test
- Gross Income Test
- Support Test

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Qualifying Child

All of the following tests must be met to claim a dependency exemption under the rules for a qualifying child.

Dependent Taxpayer Test — Qualifying Child

If you could be claimed as a dependent by another person, you cannot claim anyone else as a dependent. Even if you have a qualifying child or a qualifying relative, you cannot claim that person as a dependent.

Joint Return Test — Qualifying Child

To meet this test, the child must be:

- Unmarried,
- Married but does not file a joint return, or
- Married and files a joint return only to claim a refund of withheld tax, neither the dependent nor spouse can claim personal exemption on their joint return

Citizen or Resident Test — Qualifying Child

To meet this test, the child must be:

- A U.S. citizen or resident or
- A resident of Canada or Mexico

Relationship Test — Qualifying Child

To meet this test, the child must be:

- Your son, daughter, stepchild, eligible foster child, adopted child, or a descendant (for example, your grandchild) of any of them, or
- Your brother, sister, half brother, half sister, stepbrother, stepsister, or a descendent (for example, your niece or nephew) of any of them.

Age Test — Qualifying Child

To meet this test, the child must be:

- Under age 19 at the end of the year
- A full-time student under age 24 at the end of the year, or
- Permanently and totally disabled at any time during the year, regardless of age.

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Residency Test — Qualifying Child

To meet this test, the child must:

- Have lived with you for more than half of the year
- Meet one of the exemptions listed below:
 - Temporary absences — illness, education, business, vacation, or military service
 - Death or birth of child — a child who was born or died during the year

Support Test— Qualifying Child

To meet this test, the child must:

- Not have provided more than half of his or her own support

There are special rules for a child that is the "qualifying child" of more than one person. Do research or get professional advice if you encounter this situation.

Qualifying Relative

All of the following tests must be met to claim a dependency exemption under the rules for a qualifying relative.

Dependent Taxpayer Test — Qualifying Relative

If you could be claimed as a dependent by another person, you cannot claim anyone else as a dependent. Even if you have a qualifying child or qualifying relative, you cannot claim that person as a dependent.

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Member of Household or Relationship Tests — Qualifying Relative

- Member of household-The person must live with the taxpayer for the entire year as a member of the taxpayer's household.

OR

- Relationship-The person must be related to the taxpayer in one of the allowable ways. Certain relatives do not have to be members of the taxpayer's household for the entire year.

Taxpayers will meet this test for persons

- who are relatives, even if the persons are not members of the taxpayer's household for the entire year.
- who are not relatives if the persons are members of the taxpayer's household for the entire year.

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Member of Household Test — Qualifying Relative

Taxpayers will meet this test for all persons who live with the taxpayer as a member of the household if the persons pass the member of household test.

- The dependent does not have to be related to the taxpayer.
- The dependent must live with the taxpayer all year except for temporary absences. (Temporary absences include attending school, taking vacations, and staying in the hospital.)
- The relationship between the taxpayer and the dependent must not violate local laws

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Relationship Test — Qualifying Relative

Taxpayers will meet this test for the following relatives if the relatives meet the requirements of the relationship test:

- child
- parent
- brother/sister
- stepparent
- stepchild
- stepbrother/stepsister
- half brother/half sister
- grandparent
- grandchild
- son-in-law/daughter-in-law
- mother-in-law/father-in-law
- brother-in-law/sister-in-law

If related by blood, relatives also include

- uncle/aunt and
- niece/nephew.

Tax Tip: *• Cousins do not meet the relationship test.
• Relatives do not have to be members of the taxpayer's household.
• Relationships established by marriage are not ended by death or divorce. For example, a daughter-in-law is a relative to her in-law parents even after the death of their son (her husband).*

Tax Tip: *There are special rules for children born during the year, adopted children, and foster children.*

Remember: To claim a dependency exemption, all tests must be met, including either the relationship test or the member of household test.

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Quick Check!

Indicate whether or not the relationship test or the member of household test is met for a Qualifying Relative by answering the multiple-choice questions below. To assess your answers, click the **Check My Answers** button at the bottom of the page.

1) Matthew's cousin lived with him all year.

- A. Relationship No answer given: the correct answer is B. A cousin does not meet the relationship test. Matthew's cousin meets the member of household test because he lived with Matthew all year.
- B. Member of Household
- C. Both
- D. Neither

2) Rebecca's daughter lived at college for nine months during the year.

- A. Relationship No answer given: the correct answer is C. A daughter meets the relationship test. The daughter also meets the member of household test because attending school is considered a temporary absence.
- B. Member of Household
- C. Both
- D. Neither

3) Tammy's best friend lived with her all year.

- A. Relationship No answer given: the correct answer is B. Tammy's friend meets the member of household test.
- B. Member of Household
- C. Both
- D. Neither

4) Jackie's cousin visited every weekend during the year.

- A. Relationship No answer given: the correct answer is D. A cousin does not meet the relationship test. Jackie's cousin did not live with Jackie during the entire year.

B. Member of Household

C. Both

D. Neither

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Joint Return Test — Qualifying Relative

Taxpayers will meet this test for persons who are

- unmarried,
- married but do not file a joint return, or
- married and file a joint return only to claim a refund of withheld tax; neither would have a tax liability on Separate returns; neither the dependent nor spouse can claim personal exemptions on their joint return.

Remember: To claim a dependency exemption, all tests must be met.

Citizenship Test — Qualifying Relative

Taxpayers will meet this test for persons who are, for some part of the year,

- U.S. citizens or residents, or
- residents of Canada or Mexico.

Not a qualifying Child Test — Qualifying Relative

A child is not your qualifying relative if the child is your qualifying child or the qualifying child of anyone else.

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Quick Check!

Check your understanding of the concepts you have learned by completing this Quick Check. When you have completed the two sets of questions, click the *Check My Answers* button at the bottom of the page.

Tyler, a U.S. citizen, is single and studied on an exchange program in Costa Rica during the year. Tyler's parents want to claim a dependency exemption for him. Answer the following questions about Tyler.

1) Does Tyler meet the relationship test?

A. Yes *No answer given: the correct answer is A. A son meets the relationship test.*

B. No

2) Does Tyler meet the joint return test?

A. Yes *No answer given: the correct answer is A. Tyler was a student, temporary absences for education are allowed.*

B. No

Sami's parents want to claim a dependency exemption for her. Sami is 18 years old. Sami is married and files a joint return with her husband. Sami's husband is an attorney; he earns \$47,500 per year. Since Sami and her husband owe \$500 in tax, they will not receive a refund of withheld tax. Answer the following questions about Sami.

1) Does Sami meet the relationship test?

A. Yes No answer given: the correct answer is A. A daughter meets the relationship test.

B. No

2) Does Sami meet the test to be a "qualifying child"?

A. Yes No answer given: the correct answer is B. No, Sami does not meet the joint return test.

B. No

3) Can Sami's parents claim a dependency exemption for her?

A. Yes No answer given: the correct answer is B. To claim a dependency exemption, all tests must be met. Sami does not meet the joint return test. Her parents cannot claim her as a dependent.

B. No

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Gross Income Test — Qualifying Relative

Taxpayers will meet this test for persons whose gross incomes are less than the exemption amount.

- In 2007, the exemption amount was \$3,400.

Gross Income

- is all taxable income in the form of money, property, and services;
- includes unemployment compensation and certain scholarships; and
- does not include welfare benefits and nontaxable Social Security benefits.

Remember: To claim a dependency exemption, all five tests must be met.

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Support Test — Qualifying Relative

Taxpayers will meet this test if the taxpayer provided more than half of a person's total support for the entire year.

Total support items include

- food, clothing, shelter, education, medical and dental care, recreation, and transportation; and
- welfare, food stamps, and housing provided by the state.

Compare the dollar value of the support provided by the taxpayer with the total support the person received from all sources.

Tax Tip: *There are special rules for dependents who receive support from multiple sources and for children of divorced or separated parents.*

Important Point: *The gross income test considers the dependent's taxable income. The support test considers all income, taxable and nontaxable.*

Remember: To claim a dependency exemption, all five tests must be met.

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Support Test Example

Ms. Hernandez is 72 years old and lives in an apartment. Last year she received \$3,000 in nontaxable Social Security benefits and \$400 in taxable interest income, all of which was used for her support. Ms. Hernandez's daughter, Theresa, paid \$4,800 during the year toward her mother's support. Total support includes taxable and nontaxable income. Ms. Hernandez's total support is \$8,200 (\$3,000 + \$400 + \$4,800). Theresa paid more than half of her mother's support ($\$4,800/\$8,200 = 59\%$). Theresa can claim a dependency exemption for Ms. Hernandez.

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Quick Check!

Use the following information to answer the following questions about Mai-Lei by typing your answers in the space provided. To assess your answers, click the *Check My Answers* button at the bottom of the page.

Mai-Lei's mother received \$3,200 in nontaxable Social Security payments and \$900 in taxable interest income. Mai-Lei's mother paid \$3,350 for lodging, \$400 for recreation, \$250 for clothes, and \$100 for transportation. Mai-Lei paid \$2,100 for her mother's food and \$800 for her medical bills.

1) What is the total support for Mai-Lei's mother?

Type your answer here No answer given: the correct answer is \$7000.00. ($\$3,350.00 + \$400.00 + \$250.00 + \$100.00 + \$2,100.00 + \$800.00 = \$7,000.00$). The total support test considers all income, taxable and nontaxable.

2) How much did Mai-Lei provide toward her mother's support?

Type your answer here No answer given: the correct answer is \$2900.00. ($\$2,100.00 + \800.00)

3) Can Mai-Lei claim a dependency exemption for her mother?

A. Yes No answer given: the correct answer is B. Mai-Lei did not pay more than half of her mother's support ($\$2,900/\$7,000 = 41\%$).

B. No

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Dependency Tests Comprehensive Example

Beatrice is a single 18 year old Canadian citizen, who lives in Vancouver with her mother the entire year. In 2007, Beatrice earned \$2,450. Beatrice's mother provided 60 percent of Beatrice's total support. Beatrice's mother is not the dependent of anyone else. Can Beatrice's mother claim a dependency exemption as a "qualifying child" for her?

- The dependent taxpayer test is met-Beatrice's mother is not the dependent of anyone else
- The joint return test is met-Beatrice is single
- The citizenship test is met-Beatrice is a Canadian citizen
- The relationship test is met-Beatrice is the child of the taxpayer
- The age test is met-Beatrice is under 19
- The residency test is met-Beatrice lived with her mother the entire year
- The support test is met-Beatrice did not provide more than half of her own support

Beatrice's mother can claim a dependency exemption for her.

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Quick Check!

Use the following information to determine if the "qualifying child" dependency tests are met for Hector. To assess your answers, click the *Check My Answers* button at the bottom of the screen.

Hector, a U. S. citizen, is single and 17 years old. He lives with his father in New York City all year. Hector earned \$3,800 and used it to buy a motorcycle. Hector's father provided more than half of his support. Hector's father is not the dependent of anyone else.

1) Relationship test

A. Yes No answer given: the correct answer is A. Hector is the taxpayer's son.

B. No

2) Residency Test

A. Yes No answer given: the correct answer is A. Hector lives in the United States.

B. No

3) Joint Return Test

A. Yes No answer given: the correct answer is A. Hector is single; he will not file a joint return.

B. No

4) Dependent taxpayer Test

A. Yes No answer given: the correct answer is A. Hector's father is not the dependent of anyone else.

B. No

5) Age Test

A. Yes No answer given: the correct answer is A. Hector is 17.

B. No

6) Support Test

A. Yes No answer given: the correct answer is A. His father provided more than half of Hector's support.

B. No

7) Citizenship or Resident Test

A. Yes No answer given: the correct answer is A. Hector is a U. S. citizen.

B. No

8) Can the father claim a dependency exemption for Hector?

A. Yes No answer given: the correct answer is A. All the dependency tests are met. Hector's father can claim a dependency exemption for him.

B. No

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Lesson Summary

Dependency exemptions reduce taxable income by the exemption amount. The exemption amount changes each year.

- For 2007, the exemption amount was \$3,400.

A taxpayer cannot claim a dependency exemption for a person who can be claimed as a dependent on another return.

To claim a dependency exemption, all of the dependency tests must be met for either a "qualifying child" or a "qualifying relative".

In 2007, the term "dependent" means a "qualifying child" or a "qualifying relative".

A. To claim a dependency exemption for a qualifying child, all of the qualifying child dependency tests must be met:

- Dependent Taxpayer Test
- Joint Return Test
- Citizenship Test
- Relationship Test
- Age Test
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B. To claim a dependency exemption for a qualifying relative, the person must meet the following tests:

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- Joint Return Test
- Citizenship Test
- Not a Qualifying Child Test
- Member of Household or Relationship Test
- Gross Income Test
- Support Test

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Glossary

dependent —a person, other than the taxpayer or spouse, who entitles the taxpayer to claim a dependency exemption.

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